DOCUMENT RESUME

ED 247 861 HE 017 580

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TITLE Business Students' Perceptions of Corporate Ethical Behavior.
PUB DATE 84
NOTE 20p.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Business Administration Education; *Business Responsibility; *College Students; *Ethical Instruction; Higher Education; *Student Attitudes; *Values Education
IDENTIFIERS *Business Ethics

ABSTRACT

Business students' observations of corporate ethical behavior and social responsibility were studied. The research objective was to examine the contention that the education of business managers should include courses in business and society because such courses would heighten student perceptions of the ethical and social dimensions of managerial decisions. It was also hypothesized that graduate students would differ from undergraduates in business literacy and perceptions. A questionnaire administered to a sample of undergraduate and graduate students in the Hagan School of Business at Iona College yielded 1,687 usable responses. The design was cross-sectional and was administered during the 1982-1983 academic year. The instrument was designed to measure the students' business literacy, perceptions of corporate social responsibility, perceptions of business ethical situations, judgments of personal ethical situations, and socio-economic characteristics. Beliefs held by the sample of students were not significantly influenced by courses in business and society. Factors that explained attitudes toward business behavior appeared to be exogenous to the formal education experience. Business literacy was unrelated to perceptions of corporate behavior. In addition, graduate and undergraduate students did not differ in their perceptions. (SW)

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BUSINESS STUDENTS' PERCEPTIONS OF CORPORATE ETHICAL BEHAVIOR

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Introduction and Statement of the Problem

Relations between business, government, and society have been undergoing a fundamental change in the United States. There has been a major increase of government involvement in business decision-making. This change in business-government is so pervasive that it represents a second managerial revolution (Weidenbaum, 1981). The factors causing this increased engagement range from concern by some with the quality of life to the desire by others to increase the social responsiveness of the business enterprise. And these pressures show no signs of abating. Suggestions for changing public policy toward business aim to increase the scope of government and society's relationship with business and to require business either to internalize the social costs of its actions or to shift those social costs to the prices of products that consumers buy.

Criticism of the social role of business is not new. Evidence is found of concern with the impact of business on the public welfare in sixteenth and seventeenth century England. And concern with limitations of the free market was apparent in the United States even before the passage of the Sherman Anti-Trust Act in 1890. What is new is that the new wave of regulation and involvement is concerned, not with the economic weaknesses of the free market, but with demanding that business be accountable for non-economic aspects of its decisions. A review of the very extensive literature indicates that criticisms of business can be grouped under one of five headings: (1) Exercise of concentrated economic power contrary to the public interest; (2) Exercise of concentrated political power contrary to the public interest; (3) Control

by a self-perpetuating, irresponsible, unethical power elite; (4) Exploitation and dehumanization of workers and consumers; (5) Legrading the environment and the quality of life.

While business leaders, academicians, and others may argue that these criticisms are unjustified and that business has made major contributions to economic and social progress in the United States and in the world, there is no doubt that presently business is perceived unfavorably. Never before has society been so vocal in its criticisms, nor so forceful in its demands that business be accountable for the social effects of its actions.

The view of the business corporation as a quasi-public institution with responsibilities to the community extending beyond money-making is a traditional one perceived with new urgency. What is new, however, is the idea that managers need to be conversant with the public policy process and capable of incorporating social and cultural considerations into their decision-making. For example, in its report Management Education: A World View of Experience and Needs (1981), the International Academy of Management discusses future directions in management education and recommends that managers be cognizant of cross-cultural analysis and have a highly developed personal, moral, and social value system. Further, the report says that managers will need to have the means to deal with an increasingly complex social environment and suggests improved political, economic, and social education.

Perhaps more consequential for business schools is the requirement of the American Assembly of Collegiate Schools of Business that curricula include courses which provide future managers with a background of the economic and

legal environment and the role of ethical, social and political influences on business. (A.A.C.S.B., 1982-83).

The underlying presumption appears to be that education will make students more aware of the ethical and social dimensions of managerial decisions plus the accountability of business to society. Further, the requirement implies that perceptions of ethical behavior and social responsibility will be influenced by formal education. Yet, the evidence is that perceptions are a function of attitudes, and attitudes are generally not simply changed by information, but are subject to many other influences (Assael, 1984). To change attitudes, belief systems must be changed. Accordingly, the effect courses in business ethics, and business and society will have on student perceptions is an intriguing and open question.

The purpose of this study is to provide empirically based student observations of corporate ethical behavior and social responsibility. It was assumed that advocacy of education for managers should be based on such empirically gathered evidence. Since it appeared that the presumptions of the A.A.C.S.B. and other groups might be at variance with findings in the attitude-behavior literature, the following hypotheses formulated to reflect the views of the American Assembly of Collegiate Schools of Business were tested:

H_1 Business literacy is positively related to perceptions of ethical behavior and social responsibility.

H_2 Courses in business and society, business ethics and related areas have an impact on student perception of the importance of ethical behavior in business and the broadened role of business in society.

H_3 Graduate students will differ in their perceptions and business literacy from undergraduate students because of greater maturity and work experience.

It was recognized when this study was being conceived that factors which explain student perceptions of corporate behavior could very well be exogenous to the academic environment (particularly college or university) and that it would be highly desirable to be able to do a longitudinal study of student attitude formulations from the high school years through college. However, that was beyond the scope of this study due to limitations of time and other resources.

Survey of the Literature

A review of the pertinent literature reveals contrary findings. There are studies that suggest a positive correlation between one's ethical perceptions of corporate behavior and education in business and business ethics. Likewise, studies also exist that cast doubt on such relationship.

Hawkins and Cocanougher sought "to explore the effects of a business-oriented college education on students' perception of the ethics of various marketing practices." (Hawkins and Cocanougher, 1972, p. 61) Their study showed that business majors were more tolerant of questionable business practices than their non-business counterparts. They concluded that there probably existed a significant relationship between a student's ethical perceptions and his education and interest in business.

A later study by Bellizzi and Hasty confirmed the findings of Hawkins and Cocanougher (Bellizzi and Hasty, 1982). Their study showed that business

majors were more tolerant than non-business majors of questionable advertising practices. Further, they found that among freshmen there was no significant difference in perceptions between business and non-business majors. Their findings led to their observation that business education could have an effect on students' ethical perceptions.

A similar finding was reported by Fr. Theodore Purcell in a survey of his former M.B.A. students from Amos Tuck Graduate School of Business Administration at Dartmouth College (Purcell, 1977). To find out the impact of the course, Management Ethics Seminar, upon his students, Fr. Purcell contacted them ten years after they had taken the course. He asked them the same set of ethical questions they answered in 1961 in order to determine any change in their ethical perceptions and judgments. The new responses showed an increase in their ethical scores; that is, they gave responses that were more ethical than those given in 1961. Moreover, in response to the direct question as to the impact of the course upon their business decisions, the students wrote back to their former teacher that it had a positive influence on them.

A study that is most similar to this one in terms of goal, problem definition, and type of questionnaire used, is reported in The Collegiate Forum (Spring 1983). Professors Peter Arlow and Thomas A. Ulrich conducted a longitudinal survey of senior business students' ethical orientations or ethical scores at Shippensburg State College. The questionnaire was administered three times: 1) before the students' exposure to business ethics issues at the beginning of the semester of a course in Business and Society; 2) four months afterwards, towards the end of the semester; and 3) four years later, after the students

had had a few years of business experience. According to their findings, the second measurement showed an increase or improvement in the students' ethical scores; the third measurement showed a decline, reverting to the initial low scores. The authors concluded:

> Our results tend to provide partial support for the viewpoint that business ethics instruction, based on a single course, is not adequate to influence students' ethical values. While the exposure seems to sensitize students to issues of business ethics, this increased awareness diminishes over time once the exposure has been removed. (Arlow and Ulrich, 1983)

Two studies point to a different observation. Best known for its survey of the business values of the readers of the Harvard Business Review, the Baumhart study also examined the possible relationship between one's business values and educational background (Baumhart, 1968). Fr. Baumhart concluded:

> Awareness about ethical problems and the ability to think and speak about them is improved by college, especially if it includes a course in ethics. But there is no evidence (italics added) that decision-making is more ethical as a result of college courses. (1968, p. 185)

The Brenner-Molander replication of this important study reinforced the same observation (Brenner and Molander, 1977). When asked to identify the single factor they thought had the most influence on their ethical standards, a mere 9% of the respondents cited education.

Summary Observations

It is important to note that both the Hawkins-Cocanougher and Bellizzi-Hasty studies do not suggest that business students' ethical perceptions are improved by business education or literacy. That these students are more tolerant of questionable business practices than their non-business counterparts is no indication of higher morals or superior values; in fact, it can mean just the opposite,namely, that their values are as "questionable" as the

practices that they tolerate. The correlation suggested by both studies is neither causal in nature nor positive in effect.

The conclusion of Arlow and Ulrich seems to be premised on their implicit assumption that the improvement in the students' ethical score in the second measurement is attributed to the Business and Society course, and that the decrease in the score in the third measurement is explained by the non-sustaining influence of the brief exposure (one semester/one course) to ethical issues. This study seeks to validate precisely those premises.

One cannot argue against Purcell's findings that his students' ethical scores were higher in 1971 than in 1961. Neither can he be denied the satisfaction that the Ethics Seminar he taught them had a positive influence on their business decisions, because they themselves had told him so. This study does not preclude such possibility; it just cannot offer any empirical support for it.

Scope and Limitations - Methodology

A survey of undergraduate and graduate business students at Iona College was completed during the 1982-83 academic year. Almost 1,800 students filled out the questionnaire, producing 1,687 usable responses. This cross-sectional approach precludes an analysis of changes in student perceptions over time, except for inferences about these changes which might be drawn from expected differences among the graduate and four undergraduate classes.

After pretesting and modification, the survey was divided into five sets of questions, designed to measure the students' (1) business literacy - a compendium of knowledge obtained from life experience, media exposure, and classroom training, (2) perceptions of corporate social responsibility, (3) perceptions of the ethics of various business decisions, and (4) judgment of the ethics of decision making situations they might face themselves, and (5) socioeconomic characteristics. No attempt was made to capture differences in academic ability, age, sex, goal orientation, or quality of academic exposure in courses involving the roles of ethical, social, and political influences on business.

The Data. The first four sets of questions were multiple choice, with the alternative answers ranging from "Strongly Agree" through "Undecided" to "Strongly Disagree". These questions were submitted to a faculty Delphi Panel to determine which answers the students should have given. Numerical values according to the Likert Scale were used to score the students' answers.

The scores from the first set of answers were transformed into a Business Literacy (BL) Quotient, having a maximum possible range of 0 (indicating the most drastic differences possible from the Delphi Panel) to 100 (indicating perfect agreement with the Delphi Panel). The same procedure was followed for the other three sets of questions, producing a Social Responsibility (SR) Quotient, a Business Ethics (BE) Quotient, and a Personal Ethics (PE) Quotient.

The Variables. The dependent variables are the four quotients described above. The fifth set of questions produced answers which served as independent variables which might have an effect on the Quotients. They are as follows:

C - the number of policy/ethics/business environment courses taken. No distinctions were made among which courses were taken, with whom, at what institution, or how long ago.

P - academic position. This was a five-level code indicating Freshman, Sophomore, Junior, Senior or MBA candidate class standing.

M - academic major. It was only feasible to test for differences among Accounting, Finance, Management, and Marketing majors. The numbers of other majors were too small to permit testing.

B - business background. For undergraduates, this involved questions about the wage-earner status of both parents, their occupations, and the size of the organizations for which they work. For graduates, this involved questions about marital status, occupations, and company size. Initial tests were done on these variables, and none explained significant differences in the Quotients. Therefore, the students were run through a factor analysis, in an attempt to classify them in some fashion. What emerged were two factors which could be identified as measures of the student's pre-existing familiarity with large corporations.

I - income. The frequency distribution of students' household incomes made it necessary to reduce the variable to four levels: less than $20,000; $20,000 to $29,999; $30,000 to $39,999; and $40,000 or more.

The Methodology. Different techniques were used to test the different hypotheses. To test H_1, that business literacy is positively related to perception of ethical behavior and social responsibility, it was necessary to construct a correlation matrix for the quotients.

The correlations between pairs of Quotients for all four Quotients were calculated, using all of the students' responses. The results are shown in Table I.

TABLE I

THE CORRELATION AMONG THE QUOTIENTS

	BLQ	SRQ	BEQ	PEQ
BLQ	1.000			
SRQ	0.194	1.000		
BEQ	-0.012	0.275	1.000	
PEQ	0.086	0.139	0.004	1.000

The largest correlation coefficient is 0.275 between the Social Responsibility and the Business Ethics Quotients. This would lead to rejecting H_1. However, since there might be some confusion introduced because of the lumping together of graduates and undergraduates, correlation matrices were run for these groups separately, as well as for Freshmen, Sophomores, Juniors, and Seniors separately. In no case were any of the Quotients statistically significantly correlated. Accordingly, H_1 was not supported. Business literacy has no correlation to students' perceptions of corporate social responsibility, business ethics, or personal ethics.

A more sophisticated approach was necessary to test the other two hypotheses. The Analysis of Variance (ANOVA) technique was used to obtain the maximum information from the small content of some of the student cells. The ideal mathematical model for this experiment would be:

$$Q_{ijklmn} = u + C_i + P_j + M_k + B_l + I_m + CP_{ij} + \ldots + CPM_{ijk} + \ldots + CPMB_{ijkl} + \ldots + CPMBI_{ijklm} + e_{n(ijklm)}$$

where Q_{ijklmn} represents the Quotient, u is the true mean of that Quotient for the entire student population, C, P, M, B, and I are the variables as defined above, i, j, k, l, and m are the respective levels of these variables, n = 1, 2, ... 1687, e represents the random error, and the other terms stand for the interactions of all possible combinations of the variables.

This would result in a 640-cell design, and would require an equal number of students in each cell. Unfortunately, the students were not distributed uniformly among the cells, and a balanced design could not be constructed.

Therefore, a one-way ANOVA was first performed on the hypothesis (H_2) that C, the number of courses taken, would have an effect on the Quotients. The limiting cell was the number of students who had taken three or more courses, eighty, so a random sample of eighty students was drawn for each of the other three categories. Table II shows the Mean Quotients, the standard deviations of these Quotients, and the F statistics for the four tests.

TABLE II

A Test of H_2

C	Statistic	BLQ	SRQ	BEQ	PEQ
0	Mean	63.012	61.667	65.118	79.787
	Std. Dev.	8.808	10.344	9.486	20.222
1	Mean	62.660	61.738	65.277	80.283
	Std. Dev.	8.791	10.231	9.375	19.607
2	Mean	63.927	61.091	65.382	78.964
	Std. Dev.	9.130	10.982	10.021	22.505
3+	Mean	65.125	64.250	59.500	83.625
	Std. Dev.	6.917	9.239	7.387	19.559
$F_{3,316}$		0.8473	0.9468	1.6557	0.4982

Since the critical values of F at the 99% confidence level, the 95% confidence level, and the 90% confidence level are 3.88, 2.65, and 2.11 respectively, the hypothesis that, for all students, the number of courses taken will make a difference in their Quotients had to be rejected.

Next, four factorial experiments were run. In each experiment, the number of courses taken, C, was paired with one of the other variables, for instance P, the academic position. The mathematical model became:

$$Q_{ijn} = u + C_i + P_j + CP_{ij} + e_{n(ij)}.$$

All sixteen tests led to the same conclusion, that the pairs of variables had no effect on any of the four Quotients, even at the 90% confidence level. Therefore, rejection of H_2 was indicated and H_3 became highly suspect.

To definitively test H_3, that graduate students will differ from undergraduate students in their business literacy and perceptions, an experiment was run using three variables at a time. The model was:

$$Q_{ijkn} = u + C_i + P_j + M_k + CP_{ij} + CM_{ik} + PM_{jk} + CPM_{ijk} + e_{n(ijk)}$$

and the results are shown in Table III.

TABLE III

The Test of H_3

Variable	DF in Numerator	Critical F Value	F for BLQ	F for SRQ	F for BEQ	F for PEQ
C	3	2.08	1.8903	1.6756	1.7672	1.6949
P*	2	2.30	1.8057	1.9395	1.8384	1.6236
M	3	2.08	1.9400	1.9635	1.8754	1.4141
CP*	6	1.77	1.1073	1.4153	1.5341	1.0483
CM	9	1.63	1.1892	1.1702	1.2847	0.8191
PM*	6	1.77	1.4624	1.2753	1.2533	0.9813
CPM*	18	1.45	1.0269	0.8153	1.0356	0.6382

Since there were no Freshmen who had taken two or more courses, and no Sophomores who had taken three or more courses, this experiment was limited to three levels of P: Juniors, Seniors, and MBAs. The limiting cell in the reduced experiment was Finance Juniors who had taken three or more courses; there were only six of them. Therefore, all 47 other categories were also restricted to sample size six, and N for the test was 288 students.

The first column identifies the specific test being run. The second column gives the degrees of freedom in the numerator of the F statistic; all have 240 degrees of freedom in the denominator. The third column indicates the critical value of the F statistic at a 90% confidence level.

The last four columns of Table III indicate that there is no statistically significant difference among all the categories of students - for any of the Quotients - whether one, two, or three variables are considered at a time.

The tests marked with an asterisk (*) allowed rejection of H_3 and the conclusion that there was no difference between undergraduate and graduate students.

Further Testing. The same type of analysis done in Table III was repeated four times, substituting the other variables. All the tests pointed to the same conclusions, that H_2 and H_3 must be rejected.

It was impossible to test four explanatory variables at a time because there were too few observations in some of the categories.

As a final test for differences in the extremes, the BL Quotients were divided into deciles. The 168 students in the top decile were tested against the 168 students in the bottom decile, with respect to all possible combinations of variables. The technique used was Linear Discriminant Analysis, and the process was repeated for the Social Responsibility, Business Ethics, and Personal Ethics Quotients. All 32 tests, although they were based on extreme differences in Quotients, could not prove differences with 80% confidence or more.

Summary. Statistically, the reason for the models' failures in proving a difference lies not in the fact that the means are so close to each other, but in the fact that the students' Quotients are so diverse. A return to Table II shows that all the standard deviations are enormous relative to the means. Something causes the students to respond differently, but the variables we have examined do not provide an explanation of the difference.

Conclusion

The increasing number of reported incidents of unethical and socially irresponsible behavior among public officials and corporate managers dramatizes the need for more ethical behavior from these individuals. The ability of universities and corporations to improve ethical and socially responsible behavior depends on a clear understanding of how values and perceptions are formed. The findings of this study question the assumed statistically significant relationship between ethical perceptions and business literacy acquired formally in business ethics and similar courses.

Since the findings from the analysis of the survey data indicate no support for the hypotheses being tested, the inferences to be drawn are disappointing, though not surprising. It is clear that among the students studied belief systems which underlie attitudes toward corporate social and ethical behavior are not being influenced in a statistically significant way by courses in business and society and related areas. Since this is true for graduate and undergraduate students, it suggests that the factors which explain attitudes toward business behavior may be exogenous to the formal education experience. Not only does this confirm the analysis of attitude formation and change processes suggested in literature, it also reinforces findings in earlier studies in the literature of economics of education regarding the relationship of educational inputs to achievement in education. (Baron, 1974)

Further, the finding that business literacy is unrelated to perceptions of corporate behavior indicates that preexisting attitudes persist among these students and that quantity of information is not a sufficient predictor of

attitudes toward corporate behavior. It directs concern to the matter of course content and matters of instructional technique, prejudices of instructors, and diversity of both student populations and faculty backgrounds.

It is significant, too, that the number of courses taken is unrelated to any of the matters of concern in the hypotheses tested. This raises the question of whether there is diminishing marginal utility because of the resistance of previously acquired attitudes to change, or whether, as has been suggested, additional courses are simply reinforcing beliefs left untouched in prior courses compounded by repetition.

The fact that no statistically significant correlation was found for any of the hypotheses indicates that there may be explanatory factors involved in student perceptions of corporate behavior not captured in this research design. In view of the available literature, the conclusion drawn is that these variables are probably exogenous to the academic situation, perhaps psychological and cultural in nature, and not susceptible to measurement using conventional techniques. They may be, for example, related to role model behavior and socio-political beliefs. To study them requires resources beyond the scope of this research and measurement techniques not employed in this study.

Suggestions for Further Research

Results of the study open a number of avenues for possible research for unanswered questions relating to the matters pursued in this study. One area which needs to be pursued is the role of instructional techniques in

influencing student perceptions. Further, if student attitudes are resistant to change and formed before their arrival at college, longitudinal studies to determine the points at which change begins to take place should be made.

It is entirely possible that students of different socio-economic characteristics might show different responses, although the literature does not suggest that. Accordingly, replication of this study, not only among students of different socio-economic backgrounds, but also among non-business students would seem to be desirable. Finally, research to determine the impact of parents' political and social beliefs on student perceptions appears to be appropriate.

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